

Message Text

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ACTION EB-08

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E.O. 11652: GDS
TAGS: ENRG VE EINV
SUBJECT: OIL COMPANY PROBLEMS -MOBILE

REF: CARACAS 0284

1. SUMMARY. VISITING MOBIL OFFICIALS WERE ASSURED IN THEIR MEETINGS WITH PRESIDENT PEREZ AND OTHER GOV OFFICIALS THAT THE COMPTROLLER'S CLAIM AND OTHER BACK TAX CLAIMS WERE RECEIVING HIGH LEVEL ATTENTION AND WOULD BE SETTLED SOON. THEY ALSO WERE TOLD THAT GOV WISHES TO WORK OUT A SATISFACTORY CONTINUATION OF MOBIL'S TECHNICAL SERVICES CONTRACT. MOBILE, ALONG WITH MOST OTHER COMPANIES, HAS NOW BEEN ADVISED OF WHAT APPEARS TO BE FINAL AMOUNTS ON THE ASSET CLAIMS ISSUE. END SUMMARY

2. MOBIL LOCAL REPRESENTATIVE HARRY AID REVIEWED FOR EMBASSY OFFICERS THE CURRENT STATUS OF THE PENDING ISSUES BETWEEN THE GOV AND MOBILE, INCLUDING THE RESULTS OF THE RECENT VISIT BY MOBIL'S PRESIDENT AND OTHER OFFICERS (REFTEL). MUCH OF THE INFORMATION GIVEN BELOW IS PROPRIETARY IN NATURE AND THEREFORE SHOULD NOT BE DISCUSSED OUTSIDE OF THE USG.

3. ASSET EVALUATION - AID CONFIRMED THAT THE MINISTRY OF ENERGY SEEMS TO BE PUSHING HARD TO CONCLUDE THIS ISSUE WITHIN THE NEXT
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WEEK, OR, AS HE WAS TOLD, BEFORE MINISTER HERNANDEZ' VISIT TO THE US (THE VISIT HAS NOW BEEN POSTPONED). HE SAID HE WAS INITIALLY SCHEDULED TO MEET WITH THE RECEPTION COMMITTEE JAN 18, WHEN HE EXPECTED TO RECEIVE FINAL FIGURES AND BE ASKED TO SIGN MOBIL'S ACTA. WHILE HE KNEW OF THE AMOUNTS OF THESE CLAIMS FOR SOME WEEKS, HE ONLY RECEIVED CONFIRMATION ON JAN 16 THAT THEY, IN FACT, WERE FINAL. ARGUING THAT HE NEEDED TIME TO STUDY THESE

FIGURES AND WILL BE OCCUPIED THIS WEEK ON THE TECHNICAL SERVICE CONTRACT (SEE BELOW), HE SAID HE HAS SUCCEEDED IN DELAYING THE FINAL PRESENTATION OF THE ACTA A WEEK OR TWO. AID INDICATED, HOWEVER, THAT THE DEDUCTIONS AS THEY NOW STAND ARE NOT ACCEPTABLE.

4. COMMENT. MOST OTHER COMPANIES ALSO REPORT THE MINISTRY OF ENERGY IS PUSHING FOR A RAPID CONCLUSION ON THIS ISSUE (SEE CARACAS 347). THREE COMPANIES, GULF, PHILLIPS AND CHEVRON, HAVE BEEN ADVISED OF FINAL CLAIMS WHICH THEY REPORT REPRESENT SIGNIFICANT REDUCTIONS FROM THOSE PREVIOUSLY DISCUSSED AND, AS A RESULT, IT APPEARS THEY WILL SIGN THEIR RESPECTIVE ACTAS IN THE VERY NEAR FUTURE. END COMMENT.

5. COMPTROLLER'S CLAIM - AID SAID THE MOBILE OFFICIALS WERE TOLD BY PRESIDENT PEREZ ON JAN 11 THAT THERE IS NO BASIS FOR THIS CLAIM. PEREZ ALSO SAID HE HAD DISCUSSED THIS WITH FORMER PRESIDENT CALDERA AND THEY WERE OF ONE MIND ON THIS ISSUE. CALDERA IS LEADER OF THE MAJOR OPPOSITION PARTY AND IT WAS DURING HIS ADMINISTRATION THAT THE ALLEGED UNDER-ASSESSMENT OF TAXES OCCURRED. PEREZ REPEATED, AS WE HAD HEARD EARLIER, THAT THE GOV WAS OFFERING THE TAX COURT EVERY ASSISTANCE IN ITS REVIEW OF THESE CASES. PEREZ ADDED THAT WHEN THE CASE REACHES THE SUPREME COURT, THE ATTORNEY GENERAL (PROCURADOR) WOULD FORMALLY ADVISE THE COURT OF THE GOV'S VIEW. AID COMMENTED THAT THESE ASSURANCES WERE USEFUL ONLY AS LONG AS THE COMPANIES ARE NOT REQUIRED TO PUT UP GUARANTEES
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FOR THIS CLAIM, THEY CAN WALK AWAY FROM IT IF NECESSARY. AID ALSO SAID THAT MOBIL'S ATTORNEYS WERE OF THE OPINION THAT THE ATTORNEY GENERAL COULD FILE A BRIEF IN THIS CASE AT THE TAX COURT LEVEL, BUT THAT THEY HAVE BEEN UNABLE TO CONVINCE THE GOV OF THIS. AID SAID HE HAD ALSO HEARD THE STORY REPORTED EARLIER (CARACAS 286) THAT THE COMPTROLLER'S CLAIM WOULD BE DECIDED IN JANUARY, AND WOULD NOT BE APPEALED IF THE DECISION FAVORED THE COMPANIES; HE DID NOT, HOWEVER, PLACE MUCH FAITH IN THIS REPORT.

6. COMMENT. WE SHARE AID'S DOUBTS THAT THESE TAX CLAIMS WILL BE RESOLVED IN THE NEAR FUTURE. MINISTER OF ENERGY HERNANDEZ CONFIRMED TO THE AMBASSADOR, HOWEVER, THAT PRESIDENT PEREZ GAVE THE MOBIL OFFICIALS STRONG ASSURANCES OF SUPPORT ON THE EVENTUAL OUTCOME OF THIS ISSUE. END COMMENT.

7. OTHER BACKTAX CLAIMS - MINISTER HERNANDEZ TOLD THE VISITING MOBIL OFFICERS THAT WHILE HE HAD ENCOURAGED FINANCE MINISTER SILVA LUONGO TO MOVE AHEAD AND FINISH UP THESE CLAIMS, SILVA LUONGO IS STILL NEW TO HIS POSITION AND VERY NERVOUS, AND IS PARTICULARLY CONCERNED ABOUT THE REPERCUSSIONS OF A SETTLEMENT OF THESE CLAIMS IN AN ELECTION YEAR. AID INDICATED, HOWEVER,

THAT PRESIDENT PEREZ TOLD THE GROUP THAT THERE WOULD BE A GENERAL SETTLEMENT (TRANSACCION) OF THESE CLAIMS IN THE COURSE OF THE NEXT SIX MONTHS.

8. TECHNICAL SERVICES CONTRACT- AID SAID PRESIDENT PEREZ HAD ASKED PETROLEOS PRESIDENT ALFONZO RAVARD, LLANOVEN'S NEW PRESIDENT CHACIN, AND MINISTER HERNANDEZ TO WORK OUT A SATISFACTORY SOLUTION. UNTIL NOW, THESE NEGOTIATIONS HAVE BEEN CONDUCTED PRIMARILY BY THE OPERATING COMPANY (LLANOVEN), WITH SOME INVOLVEMENT BY PETROLEOS AND ALMOST NONE FROM THE MINISTRY. US-BASED MOBIL OFFICIALS WILL MEET WITH CHACIN JANUARY 18. AID SAID MOBIL HAS NO STRONG VIEWS ON THE TYPE OF FEE INVOLVED, AS LONG AS SOME FEE IS PAID. HE SAID A FLAT FEE WOULD HAVE SOME BENEFITS OVER THE PREVIOUS CONTRACT'S FEE PER BARREL PRODUCED
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AND PER BARREL REFINED. HE BELIEVES A NEW CONTRACT IS ALMOST CERTAIN TO INCLUDE MIBIL ASSISTANCE IN THE EXPLORATION OF AREAS OUTSIDE OF THE ORIGINAL CONCESSIONS, A SERVICE WHICH WAS EXPRESSLY EXCLUDED FROM THE OLD CONTRACT. BECAUSE EXPLORATION SERVICES DIFFER IN RISK AND OTHER FACTORS FROM THOSE PREVIOUSLY PROVIDED, IT MAY BE MORE APPROPRIATE TO ENTER INTO TWO SEPARATE CONTRACTS.

9. AID RELATED A NUMBER OF PROBLEMS WHICH HAD DEVELOPED IN THE OPERATION OF THE ORIGINAL TECHNICAL SERVICES CONTRACT WITH LLANOVEN. HE SAID LLANOVEN REQUESTED THAT MOBIL SUBSTITUTE SERVICES IN A NEW AREA (INTERNAL MARKETS) FOR THOSE OF ANOTHER TYE (OFFSHORE PURCHASING)WHICH LLANOVEN WAS NOT USING. LLANOVEN ALSO ASKED MOBIL FOR ASSISTANCE IN ITS REFINERY MODIFICATIONPROGRAM EVEN AFTER IT HAD AWARDED THE CONTRACT FOR THIS PROJECT TO ANOTHER US COMPANY. HE ATTRIBUTED MANYOF THESE PROBLEMS, AS WELL AS SOME OF THE OPERATIONAL PROBLEMS HE CLAIMED LLANOVEN WAS ENCOUNTERING, TO MANAGMENT FAILURES ON THE PART OF LLANOVEN'S TOP OFFICERS, PARATICULARLY THE COMPANY'S PREVIOUS PRESIDENT (SEE 77 CARACAS 12294).

10. COMMENT. BOTH MINISTER HERNANDEZ AND GENERAL ALFONZO RAVARD TOLD THE AMBASSADOR THAT PRESIDENT PEREZ SINCERELY WANTS MOBIL TO REMAIN IN VENEZUELA. ALFONZO ADDED THAT HE HAD HAD A TOUGH CONVERSATION WITH MOBIL'SPRESIDENT DURING HIS VISIT AND BELIEVED THERE NOW EXISTED A BETTER UNDERSTANDING ON THE MATTER OF TECHNICAL SERVICES. WITH REGARD TO THE APPARENT FAILINGS OF LLANOVEN'S TOP MANAGEMENT, MINISTER HERNANDEZ COMMENTED TO THE AMBASSADOR SOME MONTHS AGO THAT MOBIL REPEATEDLY COMPLAINED ABOUT THIS PROBLEM. HE NOTED, HOWEVER, THAT AT THE TIMEOF NATIONALIZATION, HE HAD ASKED MOBIL FOR RECOMMENDATIONS ON PERSONNEL, AND HAD FOLLOWED THESE IN SELECTING LLANOVEN'S PRESIDENT AND VICE-PRESIDENT, BOTH OF WHOM WERE AT THE TIME SENIOR LOCAL MOBIL EMPLOYEES

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END COMMENT.
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